

**STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN**

1

## QUARTERLY FINANCIAL REPORTING FORM

Submitted on 8/14/2003 9:10:01 AM






1	
1.	FOR THE QUARTER ENDING: June 30, 2003
2.	Name: <b>Golden West Health Plan, Inc.</b>
3.	File Number:(Enter last three digits) 933-0 <b>080</b>
4.	Date Incorporated or Organized: April 11,1974
5.	Date Licensed as a HCSP: n/a
6.	Date Federally Qualified as a HCSP: n/a
7.	Date Commenced Operation: n/a
8.	Mailing Address: 888 West Ventura Blvd. Camarillo, Ca 93010
9.	Address of Main Administrative Office: same as above
10.	Telephone Number: 805-987-8941
11.	HCSP's ID Number: Employer's ID Number 213-0800
12.	Principal Location of Books and Records: same as above
13.	Plan Contact Person and Phone Number: Thomas C. Geiser (805)-557-6110)
14.	Financial Reporting Contact Person and Phone Number: Bret A. Morris (805) 557-5009
15.	President:* Joan E. Herman (CEO)
16.	Secretary:* Thomas C. Geiser
17.	Chief Financial Officer:* Kenneth C. Zurek
18.	Other Officers:* Leonard D. Schaeffer (Chairman)
19.	James Perkins (General Manager) Robert A. Kelly (Assistant Secretary)
20.	Karen Feldman, DDS (Chief Dental Officer)
21.	R. David Kretschmer (Treasurer) Douglas A. Schur (Assistant Secretary)
22.	Directors:* Leonard D. Schaeffer
23.	David C. Colby
24.	Joan E. Herman
25.	
26.	
27.	
28.	
29.	
30.	
31.	

The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as herein stated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deductions therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.

32. President	Joan E. Herman (CEO) (please type for valid signature)
33. Secretary	Thomas C. Geiser (please type for valid signature)
34. Chief Financial Officer	Kenneth C. Zurek (please type for valid signature)
* Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement.	
35.	Check if this is a revised filing, and complete question 7 on page 2: <input type="checkbox"/>
36.	If all dollar amounts are reported in thousands (000), check here: <input type="checkbox"/>

Check My Work.

**STATE OF CALIFORNIA**  
**DEPARTMENT OF MANAGED HEALTH CARE**  
**HEALTH CARE SERVICE PLAN**  
  
**QUARTERLY FINANCIAL REPORTING FORM**  
  
**SUPPLEMENTAL INFORMATION**

		1
1.	Are footnote disclosures attached with this filing?	No 
2.	Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules.	No 
3.	Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department?	No 
4.	Have the Restricted Assets changed from the previous quarterly filing? If "yes", complete Schedule A-2 (Restricted Assets).	No 
5.	Are there any significant changes reported on Schedule G, Section III?	No 
6.	If "yes", describe:	
		no
7.	If this is a revised reporting form, what is/are the reason(s) for the revision?	

## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

## REPORT #1 ---- PART A: ASSETS

1	2
<b>CURRENT ASSETS:</b>	Current Period
1. Cash and Cash Equivalents	2,741,589
2. Short-Term Investments	0
3. Premiums Receivable - Net	1,367,666
4. Interest Receivable	0
5. Shared Risk Receivables - Net	0
6. Other Health Care Receivables - Net	0
7. Prepaid Expenses	99,535
8. Secured Affiliate Receivables - Current	0
9. Unsecured Affiliate Receivables - Current	0
10. Aggregate Write-Ins for Current Assets	0
11. TOTAL CURRENT ASSETS (Items 1 to 10)	4,208,790
<b>OTHER ASSETS:</b>	
12. Restricted Assets	50,000
13. Long-Term Investments	0
14. Intangible Assets and Goodwill - Net	0
15. Secured Affiliate Receivables - Long-Term	0
16. Unsecured Affiliate Receivables - Past Due	0
17. Aggregate Write-Ins for Other Assets	0
18. TOTAL OTHER ASSETS (Items 12 to 17)	50,000
<b>PROPERTY AND EQUIPMENT</b>	
19. Land, Building and Improvements	0
20. Furniture and Equipment - Net	20,106
21. Computer Equipment - Net	117,294
22. Leasehold Improvements -Net	62,240
23. Construction in Progress	
24. Software Development Costs	92,822
25. Aggregate Write-Ins for Other Equipment	0
26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25)	292,462
27. TOTAL ASSETS	4,551,252
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS</b>	
1001.	
1002.	
1003.	
1004.	
1098. Summary of remaining write-ins for Item 10 from overflow page	
1099. TOTALS (Items 1001 thru 1004 plus 1098)	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS</b>	
1701.	
1702.	
1703.	
1704.	
1798. Summary of remaining write-ins for Item 17 from overflow page	
1799. TOTALS (Items 1701 thru 1704 plus 1798)	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT</b>	
2501.	
2502.	
2503.	
2504.	
2598. Summary of remaining write-ins for Item 25 from overflow page	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	0

## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

## REPORT #1 ---- PART B: LIABILITIES AND NET WORTH

1	2	3	4
<b>CURRENT LIABILITIES:</b>	Current Period		
	Contracting	Non-Contracting	Total
1. Trade Accounts Payable	221,305	XXX	221,305
2. Capitation Payable	0	XXX	0
3. Claims Payable (Reported)	65,000	0	65,000
4. Incurred But Not Reported Claims	0	105,000	105,000
5. POS Claims Payable (Reported)	0	0	0
6. POS Incurred But Not Reported Claims	0	0	0
7. Other Medical Liability	0	0	0
8. Unearned Premiums	3,551,104	XXX	3,551,104
9. Loans and Notes Payable	0	XXX	0
10. Amounts Due To Affiliates - Current	0	XXX	0
11. Aggregate Write-Ins for Current Liabilities	59,143	0	59,143
12. TOTAL CURRENT LIABILITIES (Items 1 to 11)	3,896,552	105,000	4,001,552
<b>OTHER LIABILITIES:</b>			
13. Loans and Notes Payable (Not Subordinated)		XXX	0
14. Loans and Notes Payable (Subordinated)		XXX	0
15. Accrued Subordinated Interest Payable		XXX	0
16. Amounts Due To Affiliates - Long Term		XXX	0
17. Aggregate Write-Ins for Other Liabilities	0	XXX	0
18. TOTAL OTHER LIABILITIES (Items 13 to 17)	0	XXX	0
19. TOTAL LIABILITIES	3,896,552	105,000	4,001,552
<b>NET WORTH</b>			
20. Common Stock	XXX	XXX	0
21. Preferred Stock	XXX	XXX	0
22. Paid In Surplus	XXX	XXX	2,798,052
23. Contributed Capital	XXX	XXX	107,700
24. Retained Earnings (Deficit)/Fund Balance	XXX	XXX	-2,356,052
25. Aggregate Write-Ins for Other Net Worth Items	XXX	XXX	0
26. TOTAL NET WORTH (Items 20 to 25)	XXX	XXX	549,700
27. TOTAL LIABILITIES AND NET WORTH	XXX	XXX	4,551,252
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 11 FOR CURRENT LIABILITIES</b>			
1101. Income Taxes Payable	936		936
1102. HP lease	58,207		58,207
1103.			0
1104.			0
1198. Summary of remaining write-ins for Item 11 from overflow page			0
1199. TOTALS (Items 1101 thru 1104 plus 1198)	59,143	0	59,143
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER LIABILITIES</b>			
1701. HP Lease	0	XXX	0
1702.		XXX	0
1703.		XXX	0
1704.		XXX	0
1798. Summary of remaining write-ins for Item 17 from overflow page		XXX	0
1799. TOTALS (Items 1701 thru 1704 plus 1798)	0	XXX	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER NET WORTH ITEMS</b>			
2501.	XXX	XXX	
2502.	XXX	XXX	
2503.	XXX	XXX	
2504.	XXX	XXX	
2598. Summary of remaining write-ins for Item 25 from overflow page	XXX	XXX	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	XXX	XXX	0

## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

	1	2
	Current Period	Year-To-Date
<b>REVENUES:</b>		
1. Premiums (Commercial)	6,169,618	6,169,618
2. Capitation	0	0
3. Co-payments, COB, Subrogation	0	0
4. Title XVIII - Medicare	0	0
5. Title XIX - Medicaid	0	0
6. Fee-For-Service	0	0
7. Point-Of-Service (POS)	0	0
8. Interest	39,760	39,760
9. Risk Pool Revenue	0	0
10. Aggregate Write-Ins for Other Revenues	648,826	648,826
11. TOTAL REVENUE (Items 1 to 10)	6,858,204	6,858,204
<b>EXPENSES:</b>		
<b>Medical and Hospital</b>		
12. Inpatient Services - Capitated	0	0
13. Inpatient Services - Per Diem	0	0
14. Inpatient Services - Fee-For-Service/Case Rate	0	0
15. Primary Professional Services - Capitated	3,127,894	3,127,894
16. Primary Professional Services - Non-Capitated	694,336	694,336
17. Other Medical Professional Services - Capitated	0	0
18. Other Medical Professional Services - Non-Capitated	0	0
19. Non-Contracted Emergency Room and Out-of-Area Expense, not including POS	0	0
20. POS Out-Of-Network Expense	0	0
21. Pharmacy Expense - Capitated	0	0
22. Pharmacy Expense - Fee-for-Service	0	0
23. Aggregate Write-Ins for Other Medical and Hospital Expenses	0	0
24. TOTAL MEDICAL AND HOSPITAL (Items 12 to 23)	3,822,230	3,822,230
<b>Administration</b>		
25. Compensation	1,740,622	1,740,622
26. Interest Expense	1,812	1,812
27. Occupancy, Depreciation and Amortization	66,936	66,936
28. Management Fees	0	0
29. Marketing	3,366,276	3,366,276
30. Affiliate Administration Services	0	0
31. Aggregate Write-Ins for Other Administration	-90	-90
32. TOTAL ADMINISTRATION (Items 25 to 31)	5,175,556	5,175,556
33. TOTAL EXPENSES	8,997,786	8,997,786
34. INCOME (LOSS)	-2,139,582	-2,139,582
35. Extraordinary Item		
36. Provision for Taxes		
37. NET INCOME (LOSS)	-2,139,582	-2,139,582
<b>NET WORTH:</b>		
38. Net Worth Beginning of Period	853,263	853,263
39. Audit Adjustments	0	0
40. Increase (Decrease) in Common Stock	0	0
41. Increase (Decrease) in Preferred Stock	0	0
42. Increase (Decrease) in Paid in Surplus	2,742,933	2,742,933
43. Increase (Decrease) in Contributed Capital	0	0
44. Increase (Decrease) in Retained Earnings:	0	0
45. Net Income (Loss)	-2,139,582	-2,139,582
46. Dividends to Stockholders	-917,850	-917,850
47. Aggregate Write-Ins for Changes in Retained Earnings	10,936	10,936
48. Aggregate Write-Ins for Changes in Other Net Worth Items	0	0
49. NET WORTH END OF PERIOD (Items 38 to 48)	549,700	549,700

## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

1	2	3
	Current Period	Year-to-Date
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES</b>		
1001. Enrollment Fees	334,918	334,918
1002. Admin Fees	324,856	324,856
1003. NSF Fees	4,350	4,350
1004. Misc.	-15,298	-15,298
1005.		
1006.		
1098. Summary of remaining write-ins for Item 10 from overflow page		
1099. TOTALS (Items 1001 thru 1006 plus 1098)	648,826	648,826
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES</b>		
2301.		
2302.		
2303.		
2304.		
2305.		
2306.		
2398. Summary of remaining write-ins for Item 23 from overflow page		
2399. TOTALS (Items 2301 thru 2306 plus 2398)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES</b>		
3101. Refunds-Enrollment Fees	-90	-90
3102.		
3103.		
3104.		
3105.		
3106.		
3198. Summary of remaining write-ins for Item 31 from overflow page		
3199. TOTALS (Items 3101 thru 3106 plus 3198)	-90	-90
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS</b>		
4701. Net Unrealized Loss Investments	10,936	10,936
4702.		
4703.		
4704.		
4705.		
4706.		
4798. Summary of remaining write-ins for Item 47 from overflow page		
4799. TOTALS (Items 4701 thru 4706 plus 4798)	10,936	10,936
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NET WORTH ITEMS</b>		
4801.		
4802.		
4803.		
4804.		
4805.		
4806.		
4898. Summary of remaining write-ins for Item 48 from overflow page		
4899. TOTALS (Items 4801 thru 4806 plus 4898)	0	0

**REPORT #3: STATEMENT OF CASH FLOWS**

1	2	3
	Current Period	Year-to-Date
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
1. Group/Individual Premiums/Capitation	6,799,729	6,799,729
2. Fee-For-Service	0	0
3. Title XVIII - Medicare Premiums	0	0
4. Title XIX - Medicaid Premiums	0	0
5. Investment and Other Revenues	39,760	39,760
6. Co-Payments, COB and Subrogation	0	0
7. Medical and Hospital Expenses	-3,822,230	-3,822,230
8. Administration Expenses	-5,494,606	-5,494,606
9. Federal Income Taxes Paid	0	0
10. Interest Paid	-1,812	-1,812
11. NET CASH PROVIDED BY OPERATING ACTIVITIES	-2,479,159	-2,479,159
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES</b>		
12. Proceeds from Restricted Cash and Other Assets	0	0
13. Proceeds from Investments	3,213,187	3,213,187
14. Proceeds for Sales of Property, Plant and Equipment	0	0
15. Payments for Restricted Cash and Other Assets	0	0
16. Payments for Investments	0	0
17. Payments for Property, Plant and Equipment	-26,321	-26,321
18. NET CASH PROVIDED BY INVESTING ACTIVITIES	3,186,866	3,186,866
<b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES:</b>		
19. Proceeds from Paid in Capital or Issuance of Stock	2,742,933	2,742,933
20. Loan Proceeds from Non-Affiliates	0	0
21. Loan Proceeds from Affiliates	0	0
22. Principal Payments on Loans from Non-Affiliates	0	0
23. Principal Payments on Loans from Affiliates	0	0
24. Dividends Paid	-917,850	-917,850
25. Aggregate Write-Ins for Cash Provided by Financing Activities	3,531	3,531
26. NET CASH PROVIDED BY FINANCING ACTIVITIES	1,828,614	1,828,614
27. NET INCREASE (DECREASE) IN CASH (Items 11, 18 & 26)	2,536,321	2,536,321
28. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER	205,268	205,268
29. CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	2,741,589	2,741,589
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
30. Net Income	-2,139,582	-2,139,582
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>		
31. Depreciation and Amortization	34,815	34,815
32. Decrease (Increase) in Receivables	-214,447	-214,447
33. Decrease (Increase) in Prepaid Expenses	-46,902	-46,902
34. Decrease (Increase) in Affiliate Receivables	0	0
35. Increase (Decrease) in Accounts Payable	-288,775	-288,775
36. Increase (Decrease) in Claims Payable and Shared Risk Pool	-20,000	-20,000
37. Increase (Decrease) in Unearned Premium	180,434	180,434
38. Aggregate Write-Ins for Adjustments to Net Income	15,298	15,298
39. TOTAL ADJUSTMENTS (Items 31 through 38)	-339,577	-339,577
40. NET CASH PROVIDED BY OPERATING ACTIVITIES (Item 30 adjusted by Item 39 must agree to Item 11)	-2,479,159	-2,479,159
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		
2501. payment on capital lease obligations	-7,404	-7,404
2502. Limited partnership distribution property	10,935	10,935
2503.	0	0
2598. Summary of remaining write-ins for Item 25 from overflow page		
2599. TOTALS (Items 2501 thru 2503 plus 2598)	3,531	3,531
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 38 FOR ADJUSTMENTS TO NET INCOME</b>		
3801. Loss on disposal of equipment	15,298	15,298
3802.		
3803.	0	0
3898. Summary of remaining write-ins for Item 38 from overflow page		
3899. TOTALS (Items 3801 thru 3803 plus 3898)	15,298	15,298

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**REPORT #4: ENROLLMENT AND UTILIZATION TABLE****TOTAL ENROLLMENT**

1 Source of Enrollment	2 Total Enrollees At End of Previous Period	3 Additions During Period	4 Terminations During Period	5 Total Enrollees at End of Period	6 Cumulative Enrollee Months for Period	Total Member Ambulatory Encounters for Period			10 Total Patient Days Incurred	11 Annualized Hospital Days/1000	12 Average Length of Stay
						7 Physicians	8 Non-Physicians	9 Total			
1. Group (Commercial)	202,159	11,135	14,069	199,225	603,384			0		0	
2. Medicare Risk	0	0	0	0				0			
3. Medi-Cal Risk	0	0	0	0				0			
4. Individual	45,579	4,653	4,461	45,771	137,320			0		0	
5. Point of Service	0	0	0	0				0			
6. Aggregate write-ins for Other	0	0	0	0	0	0	0	0	0		
7. Total Membership	247,738	15,788	18,530	244,996	740,704	0	0	0	0	0	
DETAILS OF WRITE-INS AGGREGATED AT ITEM 6 FOR OTHER SOURCES OF ENROLLMENT											
601. Small Group				0				0			
602. Healthy Families				0				0			
603. AIM				0				0			
604. Medicare Cost				0				0			
605. ASO				0		N/A	N/A	N/A	N/A	N/A	N/A
606. PPO				0				0			
607.				0				0			
608.				0				0			
609.				0				0			
610.				0				0			
611.				0				0			
612.				0				0			
Summary of remaining write-ins for											
698. Item 6 from overflow page				0				0			
Totals (lines 601 through 612 plus											
699, 698) (Line 6 above)	0	0	0	0	0	0	0	0	0		

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**SCHEDULE A-1 (CASH)**

1	2	3
Name of Depository (List all accounts even if closed during the period)	Account Number	Balance*
1. see overflow		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9. Total Cash on Deposit		0
10. Cash on Hand (Petty Cash)		
11. Total Cash on Hand and on Deposit (Report #1, Part A, Line 1)		0

**SCHEDULE A-2 RESTRICTED ASSETS**

1	2	3
Name of Depository (List all accounts even if closed during period)	Account Number	Balance*
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19. Total Restricted Assets		0

\* Indicate the Balance Per the HMO's Records

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## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

**SCHEDULE C - PREMIUMS RECEIVABLE (Other than Affiliates)**

Individually list all debtors (commercial only) with account balances greater than 5% of gross Premiums Receivable. Group the total of all other premiums receivables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed."

	1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Total
1.	N/A					0
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0
24.						0
25.						0
26.						0
27.						0
28.						0
29.						0
30.						0
31.						0
32.						0
33.						0
34.						0
35.						0
36.						0
37.						0
38.						0
39.						0
40.						0
41.						0
42.						0
43.						0
44.						0
45.						0
46.						0
47.						0
48.						0
49.						0
50.						0
51.						0
52.						0
53.						0
54.	Aggregate Accounts Not Individually Listed	1,207,628	89,092	28,305	42,641	1,367,666
55.	Total	1,207,628	89,092	28,305	42,641	1,367,666

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## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

**SCHEDULE D**  
**HEALTH CARE RECEIVABLES &**  
**AMOUNTS DUE FROM PARENT, SUBSIDIARIES, AND AFFILIATES**

Individually list all debtors with account balances greater than 10% of gross Receivables. Group the total of all other receivables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed."

	1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Total
1.	N/A					0
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0
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43.						0
44.						0
45.						0
46.						0
47.						0
48.						0
49.						0
50.						0
51.						0
52.						0
53.						0
54.	Aggregate Accounts Not Individually Listed					0
55.	Total	0	0	0	0	0

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## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

## SCHEDULE F - ACCOUNTS PAYABLE

Individually list all creditors with account balances greater than 5% of total trade accounts payable. Group the total of all other payables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed - Due." Report accounts payable from the initial date of billing or due date under contract.

1	2	3	4	5	6	7
Name of Debtor	1-30 Days	31-60 Days	61-90 Days	91-120 Days	Over 120 Days	Total
1. N/A						0
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23. Aggregate Accounts Not Individually Listed - Due						0
24. Total	0	0	0	0	0	0

\*\*

**SCHEDULE G - UNPAID CLAIMS ANALYSIS**  
**SECTION I - CLAIMS UNPAID**

	1	2	3
Type of Claim	Reported Claims in Process of Adjustment	Estimated Incurred but Unreported	Total - Unpaid Claims (Columns 4+5 of Section II)
1. Inpatient Claims	0	0	0
2. Physician Claims	65,000	0	65,000
3. Referral Claims	95,000	10,000	105,000
4. Other Medical			0
5. TOTAL	160,000	10,000	170,000

**SECTION II - ANALYSIS OF CLAIMS UNPAID - PREVIOUS YEAR (FILE ANNUAL ONLY)**

1 Type of Claim	Claims Paid During the Fiscal Year		Unpaid Claims During the Fiscal Year		6 Total Claims (Paid and Unpaid) for the Previous Fiscal Year (2+4)	7 Estimated Liability of Unpaid Claims Prior to the first day of the Prior Year
	2 On Claims Incurred Prior to the first day of the Current Fiscal Year	3 On Claims Incurred During the Fiscal Year	4 On Claims Unpaid Prior to the first day of the Previous Fiscal Year	5 On Claims Incurred During the Year		
6. Inpatient Claims					0	
7. Physician Claims					0	
8. Referral Claims					0	
9. Other Medical					0	
10. TOTAL	0	0	0	0	0	0

**SECTION III - INVENTORY OF CLAIMS TO BE PROCESSED\***

1 Month Ending	2 Beginning Balance Number of Claims in inventory on the 1st of each month	3 Add - Claims Received during the month	4 Deduct - Claims paid during the month	5 Deduct - Claims denied during the month	6 Add/Deduct - Adjustments	7 Ending Balance Number of claims in inventory at the end of the month
11.						
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0

\* Describe any significant changes reported on Schedule G, Section III in the Supplemental Schedule (Page 2).

\*\*

**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**

**SCHEDULE H - AGING OF ALL CLAIMS**

Age all claims on hand at the end of each month. Use the date of receipt to determine the number of days the claims is outstanding. The amount reported in Column 6 should equal the amount Reported on Schedule G, Section III, Column 7.

	1	2	3	4	5	6
	Month Ending	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
1.						
2.	N/A					0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0

\*\*



**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**

**SCHEDULE I - ANALYSIS OF TOTAL MEDICAL LIABILITY TO ACTUAL CLAIMS PAID**

Using the Plan's Lag Tables, complete the following table. Provide claim information the current quarter and the previous seven quarters. An actuarial certification may be submitted in lieu of this schedule.

Reported Accrual				
1	2	3	4	5
Quarter Ending Date	Total Medical Liability*	Amount Paid-To-Date	Difference - Column (2-3)	Outstanding Liability (Based on plan's lag)
1. N/A Current Quarter		XXX	0	
2. N/A Previous Quarter			0	
3. N/A Previous 2 Quarters			0	
4. N/A Previous 3 Quarters			0	
5. N/A Previous 4 Quarters			0	
6. N/A Previous 5 Quarters			0	
7. N/A Previous 6 Quarters			0	
8. N/A Previous 7 Quarters			0	

\* Should tie to Report #1, Part B, Columns 1 & 2, Lines 3 through 7.

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NOTES TO FINANCIAL STATEMENTS	
1.	see attached
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## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

**KNOX-KEENE**  
**SUPPLEMENTAL INFORMATION**  
**PURSUANT TO SECTIONS 1300.84.06, 1300.84.2 AND 1374.68**

	1	2	3	4	5
<b>A.</b>	<b>Explanation of the method of calculating the provision for incurred and unreported claims:</b>				
1.	see note				
<b>B.</b>	<b>Accounts and Notes Receivable from officers, directors, owners or affiliates, as detailed below:</b>				
	<u>Name of Debtor</u>	<u>Nature of Relationship</u>	<u>Nature of Receivable</u>	<u>Amount</u>	<u>Terms</u>
2.	none				
3.					
4.					
5.					
6.					
<b>C.</b>	<b>Donated materials or services received by the reporting entity for the period of the financial statements, as detailed below:</b>				
	<u>Donor's Name</u>	<u>Affiliation with Reporting Entity</u>	<u>Valuation Method</u>	<u>Amount</u>	
7.	none				
8.					
9.					
10.					
11.					
<b>D.</b>	<b>Forgiven debt or obligations, as detailed below:</b>				
	<u>Creditor's Name</u>	<u>Affiliation with Reporting Entity</u>	<u>Summary of How Obligation Arose</u>	<u>Amount</u>	
12.	none				
13.					
14.					
15.					
<b>E.</b>	<b>Calculation of Tangible Net Equity (TNE) and Required TNE in accordance with Section 1300.76 of the Rules:</b>				
16.	Net Equity		\$	549,700	
17.	Add: Subordinated Debt		\$	0	
18.	Less: Receivables from officers, directors, and affiliates		\$	183	
19.	Intangibles		\$	0	
20.	Tangible Net Equity (TNE)		\$	549,517	
21.	Required Tangible Net Equity (See Page 22)		\$	347,738	
22.	TNE Excess (Deficiency)		\$	201,779	
<b>F.</b>	<b>Percentage of administrative costs to revenue obtained from subscribers and enrollees:</b>				
23.	Revenue from subscribers and enrollees		\$	6,858,204	
24.	Administrative Costs		\$	5,175,556	
25.	Percentage			75	
26.	The amount of health care expenses incurred during the six month period immediately preceding the date of the report <u>which were or will be paid to noncontracting providers or directly reimbursed to subscribers and enrollees:</u>		\$	147,603	
27.	Total costs for health care services for the immediately preceding six months:		\$	6,480,331	
28.	Percentage			2	

		1
<p>G. If the amount of health care expenses incurred during the six month period immediately preceding the date of the report which <u>were or will be</u> paid to noncontracting providers or directly reimbursed to subscribers and enrollees exceeds 10% of the total costs for health care services for the immediately preceding six months, the following information, determined as of the date of the reports, shall be provided:</p>		
29. Amount of all claims for noncontracting provider services received for reimbursement but not yet processed:	\$	0
30. Amount of all claims for noncontracting provider services denied for reimbursement during the previous 45 days:	\$	0
31. Amount of all claims for noncontracting provider services approved for reimbursement but not yet paid:	\$	0
32. An estimate of the amount of claims for noncontracting provider services incurred, but not reported:	\$	0
33. Compliance with Section 1377(a) as determined in accordance with such section, as follows:		
34. Cash & cash equivalents maintained	\$	0
35. Noncontracting provider claims (aggregate of total of items 29 - 32 above)	\$	0
36. Cash & cash equivalents reported to be maintained (120% x Line 35)	\$	0
37. Deposit required (100% of Line 36)	\$	0
38. Excess (deficient) reserves (Line 34 - Line 37)	\$	0
Percentage of premium revenue earned from point-of-service plan contracts:		
39. Premium revenue earned from point-of-service plan contracts	\$	0
40. Total premium revenue earned	\$	0
41. Percentage		0
Percentage of total health care expenditures incurred for enrollees for out-of-network services for point-of-service enrollees:		
42. Health care expenditures for out-of-network services for point-of-service enrollees	\$	0
43. Total health care expenditures	\$	0
44. Percentage		0
45. Point-of-Service Enrollment at end of period		0
Total Ambulatory encounters for period for point-of-service enrollees:		
46. Physician		0
47. Non-Physician		0
48. Total		0
49. Total Patient Days Incurred for Point-of-Service enrollees		0
50. Annualized Hospital Days/1000 for Point-of-Service enrollees		0.00
51. Average Length of Stay for Point of Service enrollees		0
52. Compliance with Section 1374.68(a) as follows:		
53. Current Monthly Claims Payable for out-of-network coverage or services provided under Point-of-Service Contracts:	\$	0
54. Current monthly incurred but not reported claims balance for out-of-network coverage or services provided under Point-of-Service contracts	\$	0
55. Total	\$	0
56. Total times 120%	\$	0
57. Deposit (Greater of Line 56 or minimum of \$200,000)	\$	0

**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**

**REQUIRED TANGIBLE NET EQUITY (TNE) CALCULATION:**

TNE required must be equal to the GREATER of "A" "B" or "C" below (See Rule 1300.76)

Full Service Plans		Specialized Plans	
	1		2
<b>A.</b> Minimum TNE Requirement	\$ 1,000,000	Minimum TNE Requirement	\$ 50,000
<b>B. REVENUES:</b>			
1. 2% of the first \$150 million of annualized premium revenues	\$ 0	2% of the first \$7.5 million of annualized premium revenue	\$ 150,000
Plus		Plus	
2. 1% of annualized premium revenues in excess of \$150 million	\$ 0	1% of annualized premium revenue in excess of \$7.5 million	\$ 197,738
3. Total	\$ 0	Total	\$ 347,738
<b>C. HEALTHCARE EXPENDITURES:</b>			
4. 8% of the first \$150 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$ 0	8% of the first \$7.5 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$ 0
Plus		Plus	
5. 4% of annualized health care expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis.	\$ 0	4% of annualized health care expenditures in excess of \$7.5 million except those paid on a capitated or managed hospital payment basis.	\$ 0
Plus		Plus	
6. 4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$ 0	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$ 0
7. Total	\$ 0	Total	\$ 0
8. Required "TNE" - Greater of "A" "B" or "C"	\$ 0	Required "TNE" - Greater of "A" "B" or "C"	\$ 347,738

**KNOX -KEENE  
SUPPLEMENTAL INFORMATION  
PURSUANT TO SECTIONS 1374.64**

**POINT OF SERVICE TANGIBLE NET EQUITY CALCULATION**

Calculation of Tangible Net Equity and required Tangible Net Equity in accordance with Section 1374.64:

	1
1. Net Equity	\$ 549,700
2. Add: Subordinated Debt	\$ 0
3. Less: Receivables from officers, directors, and affiliates	\$ 183
4. Intangibles	\$ 0
5. Tangible Net Equity (TNE)	\$ 549,517
6. Required Tangible Net Equity (From Line 10 or 13 below)	\$ 347,738
7. TNE Excess (Deficiency)	\$ 201,779
<b>ADJUSTED MINIMUM TANGIBLE NET EQUITY CALCULATION (Complete Section I or II):</b>	
<b>I. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(1) or (2):</b>	
8. Minimum TNE as calculated under Rule 1300.76 (a)(1) or (2)	\$ 347,738
9. 10% of annualized health care expenditures for out-of-network service for point-of-service enrollees	\$ 0
10. Add lines 8 and 9	\$ 347,738
<b>II. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(3):</b>	
<b><u>PART A</u></b>	
11. Minimum TNE as recalculated to exclude annualized healthcare expenditures for out-of-network services for point-of-service enrollees (attach worksheet Page 24)	\$ 23,616
12. 10% of annualized health care expenditures for out-of-network services for point-of-service enrollees	\$ 0
13. Add lines 11 and 12	\$ 23,616
<b>III. MINIMUM TNE REQUIREMENT TO DETERMINE MONTHLY REPORTING</b>	
14. Line 5 (above)	\$ 549,517
15. Multiply Line 6 (above) by 130%	\$ 452,059
16. Difference (Line 14 - Line 15)	\$ 97,458
<b>If Line 14 is less than Line 15, then monthly reporting is required</b>	

## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

## WORKSHEET FOR ADJUSTED TANGIBLE NET EQUITY CALCULATION

	1 Full Service Plans	2 Specialized Plans
1. Health care expenditures for period	\$ 0	\$ 3,822,230
Less:		
2. Capitated or managed hospital payment basis expenditures	0	3,674,627
3. Health care expenditures for out-of-network services for point-of-service enrollees	0	0
4. Result	0	147,603
5. Annualized	0	295,206
6. Reduce to maximum of \$150 million	0	295,206
7. Multiply by 8%	\$ 0	\$ 23,616
Plus		
8. Annualized health care expenditures except those paid on a capitated or managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ 0	\$ 295,206
9. Less \$150 million	0	0
10. Multiply by 4%	\$ 0	\$ 0
Plus		
11. Annualized hospital expenditures paid on a managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ 0	\$ 0
12. Multiply by 4%	\$ 0	\$ 0
13. Total	\$ 0	\$ 23,616



## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

## SCHEDULE A-1 (CASH)

1	2	3
Name of Depository (List all accounts even if closed during the period)	Account Number	Balance*
1. Santa Barbara Bank and Trust-Operating	32041915	170672.04
Santa Barbara Bank and Trust-Credit Cards	32041-931	11511.84
2. Santa Barbara Bank and Trust-E.H.	32008286	139.70
3. Santa Barbara Bank and Trust-Money Market	32001117	2447126.67
Santa Barbara Bank and Trust-Payroll	32001120	7918.31
4. Bank of America	71801116328	14789.80
United Missouri Bank	9871019152	44566.47
5. a Barbara Bank and Trust-US Life Trust Acct	32001161	44664.48
6. Santa Barbara Bank and Trust-c/d		0.00
7. American Century Money Market	921006124532	0.00
USAA Money Market	42903615652	0.00
8. Vanguard Group Money Market	9911527741-30	0.00
9. Total Cash on Deposit		\$ 2,741,389.31
10 Cash on Hand (Petty Cash)		200
11 Total Cash on Hand and on Deposit (Report #1, Part A, Line 1)		\$ 2,741,589.31



**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.****EXHIBIT A****OFFICERS as of 06/30/2003**

CHAIRMAN OF THE BOARD	Leonard D. Schaeffer
CHIEF FINANCIAL OFFICER	Kenneth C. Zurek
PRESIDENT/CEO	Joan Herman
GENERAL MANAGER	James Perkins
CHIEF DENTAL OFFICER	Karen Feldman, DDS
TREASURER	R. David Kretschmer
SECRETARY	Thomas C. Geiser
ASSISTANT SECRETARY	Robert A. Kelly
ASSISTANT SECRETARY	Douglas A. Schur

**DIRECTORS**

Leonard D. Schaeffer

David C. Colby

Joan E. Herman



**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**



**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**

Answer to  
Question  
#11:

- 1 American Century Investments  
1665 Charleston Road  
Mountain View, CA 94043
- 2 Credit Suisse  
PO CH-8027 Zurich  
Switzerland
- 3 USAA Shareholder Account Services  
USAA Building  
San Antonio, TX 78284
- 4 Alex Brown & Sons  
200 Crescent Ct. #500  
Dallas, TX 75201
- 5 Vanguard Group  
P.O. Box 13750  
Philadelphia, Pa. 19101-9897





**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**

Answer to Question #1:

98% of our claims are filed within 10 days of the service date. At the end of any quarter, we should have no more than these 10 days (give or take a few).

To arrive at the 10 day figure, we do the following:

Step 1	Take an average monthly billing:	\$238,991
Step 2	Calculate at the average denial ratio:	31%
Step 3	Subtract procedures normally denied: Leaving a total Liability:	<u>\$72,094</u> \$166,897
Step 4	Divide total Liability by 21 (number of working days in month) Giving a daily claims liability:	 \$7,947
Step 5	Multiply daily claims liability by the 10 days incurred but unreported Liability is:	\$79,475



## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

28-Mar-97

James Theiring, Corporation Examiner  
Department of Corporations  
Health Care Division  
3700 Wilshire Blvd.  
Los Angeles, CA 90010

Dear Jim:

After meeting with you on Monday 3/24/97, we have made several changes to the way we will be reporting claims payable on our financial reports to the Department of Corporations. We hope these modifications are appropriate and in compliance with your requirements. After reviewing this letter and the attached system reports, we would like to have the opportunity to discuss with you our changes in the manner we will be reporting claims payable.

It was our understanding after our meeting that "claims payable" was a broader term than just IBNR. Claims payable also include pended claims as well as claims already processed but not yet paid. Thus, the three components of claims payable are IBNR, pended claims and completed claims waiting to be paid. We have set up three account numbers within our general ledger for these different parts and these three accounts will be combined together and reported as "claims

**Incurred But Not Reported (IBNR)**

We will continue to run our lag study reports which follow the Department's format for estimating IBNR. Additionally, we will each month review the previous six months to test the validity of our lag study report. By doing so, we can correct "flaws" in the lag study that may occur due to changes in the rate of entry of our claims. During the past four months, we made a commitment to decrease our turnaround time on claims entry from four weeks to two days. By doing so, our IBNR estimate was greatly increased and we have made appropriate and reasonable adjustments based upon past data that does not support the overly inflated estimates.

At the first of every month, we will run reports that will show our actual IBNR for each of the past six months. We will use this data to test the "reasonableness" of our current IBNR estimate. Our past attempt at defining actual IBNR for prior periods was based upon claims with a receive date *after* the period but with service dates *prior* to the period. This method was wrong because it did not take into consideration the delay in entering claims. As a result, we have changed this method and are now using the date the claim was physically entered into our system (setup date), regardless of the claim's actual receive date. This method checks out and I will later step you through the

**Pended Claims**

The second component of claims payable is the claims entered into the system but not yet processed. A reasonable estimate is very difficult to determine since our pended claims have no detail entered. Therefore, all we can go by is past months actual results.

Every month, we will be reviewing the past six months to see what was the actual amount of pended claims in-house for each of the six periods. We will be calculating the total pended amount by adding up all claims physically entered into the system *prior* to the period that were completed *after* the period. This will be the actual pended amount for that period and we will use the past six months experience as our basis for posting a reasonable amount for pended

### **Unpaid Completed Claims**

Prior to our last meeting, we were posting the payable amount for completed claims to our general A/P account. We will continue to do so but we have added a new system process which automatically adjusts the general A/P account and “moves” the appropriate amount to a new account we call claims payable. For example, we have \$50,000 in our general A/P account of which \$15,000 is actually invoices for completed claims. The system will debit the general A/P account for 15,000 and credit the claims payable account by the same 15,000. This automatic system function will run every night and will make sure all claims waiting to be paid are properly reported under “claims payable”.

We print our claims checks every Friday morning which means that, depending on what day of the week you are reporting, our claims payable account will vary. On Thursday, this account will be at its highest point. On Friday, after our claims checks are printed, this account should theoretically be zero.

### **Verifying Total Claims Payable**

I have included three sets of reports that will demonstrate the validity of our method of calculating total claims payable (IBNR, pended claims and unpaid completed claims). The first report is a single page and is titled “COMPLETED CLAIMS AS OF 3/27/97”. This shows all claims completed for the past twelve months by month of service. The second set is our “ESTIMATED INCURRED BUT UNREPORTED CLAIMS” report that is our lag study. These are copies of the report run the first of every month for the past six months beginning with 10/1/96. Finally, the last set of reports (“CLAIMS PAYABLE ANALYSIS AS OF 99/99/99”) is a new one we have developed this week. This report can be run at any time for any period and shows the actual IBNR and the actual pended claims for the selected period.

For example, if you take the first month on the estimated IBNR report which was run on 10/1/96, it shows that we had received and processed \$20,268 worth of claims for the service month of Sep/96. Next, look at the claims payable analysis report for 10/1/96. This shows we received and processed \$75,345 in new claims for Sep/96 *after* the 10/1/96 cut-off date. The report also shows we completed \$22,950 in claims that were in our system as of 10/1/96 but were not reported on the estimated IBNR report because they were in a pended status. Finally, the completed claims report as of 3/27/97 shows a total of \$118,563 claims received for Sep/96. Thus, the following calculation demonstrates the "reasonableness" of this process:

Sep/ 96 claims

- completed claims - before 10/1/96
- new claims - after 10/1/96
- pended claims
  
- estimated total claims for Sep/96
  
- actual total claims for Sep/96

If you do this process for other months, the results are the same and clearly demonstrate the validity of this process. As a result, we are posting adjustments into our system to bring our claims payable - IBNR to \$140,000 and claims payable - pended claims to \$60,000. The third component, claims payable - unpaid completed claims, will vary as claims are entered and then paid.

As I previously stated, we will be reviewing our IBNR and pended claims each month for reasonableness and we will make the appropriate adjustments. During the past two weeks, this extended look we have taken at our claims payable has given us more confidence in being able to more accurately estimate a reasonable amount. Hopefully, the adjustments we have made to our systems and procedures will provide the Department with a satisfactory level of compliance on the issue of claims payable reporting.

Again, Golden West would appreciate the opportunity to discuss these changes with you so we can be sure the Department considers us to be in compliance with our reporting of claims payable. If you would like any detail reports to support the reports I have included, please call at your convenience and I will

Thank you for your time and efforts in helping us with this matter.

Sincerely,

Larry Chermak  
 Director of Information Systems  
 Golden West Health Plan









## STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.

GOLDEN WEST HEALTH PLAN, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
31-Mar-03

**NOTE 1 - ORGANIZATION**

Golden West Health Plan, Inc. (the "Company"), operates as a prepaid dental health care plan, licensed under the Knox-Keene Health Care Services Plan Act of 1975, as amended. Dental care under the Company's plan is primarily provided through its panel of independent dental offices. The Corporation grants credit to its customers, substantially all of whom are located in Southern California.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounting Method.** The accompanying financial statements have been prepared on the accrual basis of accounting.

**Cash Equivalents.** The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investment Securities.** Under the provisions of FAS No. 115, the Company considers all its marketable securities to be available for sale securities and records them at fair market value which is based on quoted market price. For purposes of calculating realized gains or losses the average cost method is used.

**Property, Plant and Equipment.** Property, plant and equipment are recorded at cost. Expenditures for additions and major improvements are capitalized. Expenditures for repairs and maintenance and minor improvements are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets.

**Claims Payable.** Claims payable represents an estimate of fee-for-service claims reported and claims incurred but not yet reported. Such estimates are continually monitored and reviewed, and as settlements are made or adjusted, differences are reflected in current operations.

**Subscriber Premiums.** Subscriber premiums are recognized ratably over the period of coverage. Deferred revenue represents group subscriber premiums received in advance and the unearned portion of individual subscriber premiums paid either annually or semiannually. All deferred revenues will be recognized as revenue over the next twelve (12) months.

**Dental Services.** Dental service costs consist of monthly capitation fees paid to providers.

GOLDEN WEST HEALTH PLAN, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
 31-Mar-03

**Advertising.** The Company follows the policy of charging the costs of advertising to expense as incurred.

**Income Taxes.** The Company has elected to be treated as an S-Corporation under provisions of the Internal Revenue and the California Revenue and Taxation Codes. In lieu of the corporation paying income taxes, the shareholders of an S-Corporation are taxed on their proportionate share of the Company's taxable income. California does, however, impose a 1.5% tax at the corporate level.

**NOTE 3 - INVESTMENT SECURITIES**

The following is a summary of investment securities at March 31, 2003:

Available-for-sale securities:

Stocks and mutual funds, at cost	\$ 2,232,305
Corporate bonds, at cost	\$ 944,241
Net unrealized gain	\$ 26,791
	<hr/>
STOCKS AND MUTUAL FUNDS, AT FAIR VALUE	<u>\$ 3,203,337</u>

**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

	Estimated Useful Lives	<u>2003</u>
Furniture and equipment	5 years	\$ 150,132
Computer equipment	5 years	\$ 155,314
Leasehold improvements	8 years	\$ 331,106
Telephone system and Computer software	3 years	\$ 454,819
Leased under capital lease: Computer equipment	5 years	\$ 141,309
		\$ 1,232,680
Less: Accumulated depreciation and amortization		\$ (916,427)
TOTAL		\$ 316,253

GOLDEN WEST HEALTH PLAN, INC.

## NOTES TO FINANCIAL STATEMENTS

31-Mar-03

### NOTE 5 - RESTRICTED CASH

Provisions of the Knox-Keene Health Care Service Plan Act and Section 1300.76.1 of Title 10 of the California Code of Regulations require that funds be deposited and assigned to the Commissioner of Corporations. The funds are to be used to protect the interests of plan enrollees and to ensure continuation of health care services in the event of actions against the Company. As of March 31, 2003, \$50,000 has been deposited and assigned.

### NOTE 6 - CAPITAL LEASES

The Company leases its computer equipment under capital lease agreements which began in September 1990 and were renegotiated in April 2000. The leases are for 60 months with imputed interest at 11.4%.

The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of March 31, 2003 are as follows:

Fiscal Year Ending 31-Mar	
2004	\$36,865
2005	\$36,865
	<hr/>
Total minimum lease payments	\$73,730
Less: Amount representing interest	\$8,119
	<hr/>
Present value of net minimum lease payments	\$65,611
Current maturities of capital leases	\$30,961
	<hr/>
Long-term capital leases less current maturity	\$34,650
	<hr/> <hr/>

The leased property under capital lease as of March 31, 2003, has a cost of \$141,309 and accumulated amortization of \$84,786. Amortization of the leased property is included in depreciation expense.

GOLDEN WEST HEALTH PLAN, INC.

## NOTES TO FINANCIAL STATEMENTS

31-Mar-03

### NOTE 7 - OPERATING LEASE

The Company leases office facilities under an operating lease from a related party.

Future minimum lease payments under the noncancelable operating leases are as follows:

Fiscal Year Ending  
31-Mar

2004

\$91,593

\$91,593

Total operating lease expense was \$122,124 for 2003.

Effective June 30, 2003, this lease was converted to a six-month lease expiring December 31, 2003.

#### **NOTE 8 - PROVISION FOR STATE INCOME TAXES**

A 1.5% franchise tax rate is applicable to California S-Corporation income. Income tax expense for the year ended March 31, 2003, is as follows:

California Franchise tax	\$36,275
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#### **NOTE 9 - RELATED PARTY TRANSACTIONS**

The Company has engaged in the following transactions with officers and shareholders for the year ended March 31:

Commissions	\$14,565
Office lease	\$32,121

**Investment in Partnership.** The Company owns a 50.5% interest as a limited partner in a related party limited partnership. The Company recognized \$1,121 in 2003 as its proportionate share of the partnership's loss. The Company made no additional capital investments in 2003.

GOLDEN WEST HEALTH PLAN, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
31-Mar-03

#### **NOTE 10 - CONCENTRATION OF CREDIT RISK**

As of March 31, 2003, the Company has a cash balance in excess of the amount insured by the Federal Deposit Insurance Corporation.

#### **NOTE 11 - EMPLOYEE BENEFIT PLANS**

The Company maintains a 401(k) retirement plan for its employees. Employees are eligible to participate after one year of service and attaining the age of 18. Under the terms of the Plan, employees are entitled to contribute up to 20% of their total compensation, within limitations established by the Internal Revenue Code. At the discretion of the Board of Directors, the Company may make a matching contribution equal to a percentage of each employee's contribution and may also contribute additional amounts, all subject to vesting over a five year period. There were no Company contributions for the year ended March 31, 2003.

#### **NOTE 12 - EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)**

The Company established an Employee Stock Ownership Plan, managed by an Employee Ownership Trust (ESOT), on March 24, 1999. The Company made no contributions to the Plan for the year ended March 31, 2003.

#### **NOTE 13 - UNITED STATES LIFE INSURANCE**

Prior to April 1, 2002, the Company accounted for United States Life Insurance Company's indemnity product by recording the gross premiums as revenue and the related payments to United States Life Insurance and its agents as capitation and commission expense.

Beginning April 1, 2002, the Company recorded only the retained premiums (gross premium less United States Life Insurance and commission payments) for administration services provided for United States Life Insurance Company. This resulted in a reduction of revenue by \$6,814,000, United States Life Insurance capitation by \$6,140,000 and commission expense by \$674,000.

The above accounting treatment does not impact results of operations.

GOLDEN WEST HEALTH PLAN, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
 31-Mar-03

#### **NOTE 14 - SUBSEQUENT EVENTS**

On June 30, 2003, shareholders of the Company sold all of their shares to WellPoint Health Networks, Inc.

This resulted in a revocation of the Company's S-election as of June 30, 2003. This revocation has no impact on the Cor

Prior to the sale, the Company converted all investments in stocks, mutual funds and bonds to cash positions.

Effective June 30, 2003, the Company paid bonuses of \$2,742,933 to key members of management. This was funded by

Effective June 30, 2003, the building lease was converted to a six-month lease expiring December 31, 2003.

#### **NOTE 15 - QUARTERLY UPDATE**

The notes that affect this quarter have not been changed. We have not changed notes from the annual audit of March 31, 2003, if they have not changed.











Company's operation or the Company's financial position as of March 31, 2003.

by capital contributions from the original shareholders of \$2,742,933.

**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**

14-Aug-03

Attn: Patricia Sampson  
Office Technician  
Financial Oversight  
Department of Managed Health Care  
980 Ninth Street, Suite 500  
Sacramento, CA 95814

Re: Annual Report

Dear Ms. Sampson:

Enclosed is the quarterly report for the Quarter Ended June 30, 2003 (original and one copy). If you have any questions, please contact our office. The titles and signatures are as of June 30, 2003. Please see auditors note 14 for administrative expenses.

Sincerely,

Golden West Health Plan, Inc.



**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**

**STATEMENT AS OF 6-30-2003 OF 933-0080 Golden West Health Plan, Inc.**